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IN THE

Supreme Court of the United States

October Term 1970

No. 1555

CARL O. OLDENKOTT,

Respondent,

vs.

AMERICAN ELECTRIC, INC.,

Petitioner.

Petition for a Writ of Certiorari to the California Court of Appeal for the Fourth Appellate District.

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SUBJECT INDEX

	Page
Jurisdiction	1
Question Presented	2
Statement of the Case	2
Reasons for Granting the Writ	6
1. The Decision Below Conflicts With This Court's Holding in Lear, Inc. v. Adkins as to the Retroactive Effect to Be Given That Decision	6
2. The Decision of the Court of Appeal Conflicts With Numerous Lower Court Decisions According Complete Retroactive Effect to the Decision in Lear, Inc. v. Adkins	8
3. The Grant of Certiorari Herein Will Afford the Court an Opportunity to Resolve Any Questions Raised by Its Decision in Standard Industries v. Tigret Industries	10
Conclusion	11
Appendix. Opinion of the Court of Appeal	App. p. 1

TABLE OF AUTHORITIES CITED

Cases	Page
Adkins v. Lear, Inc., 67 Cal. 2d 882 (1967)	3, 6, 7
Beckman Instruments, Inc. v. Technical Develop. Corp., 433 F. 2d 55, 58-59 (7th Cir. 1970)	8, 9
Bendix Corp. v. Balax, Inc., 421 F. 2d 809, 820-21 (7th Cir. 1970), cert. denied 339 U.S. 911 (1970)	8, 9
Bendix Corp. v. Balax, Inc., 168 U.S.P.Q. 461 (Jan. 8, 1971)	8
Cowden Mfg. Co. v. Koratron Co., 422 F. 2d 371, 372 (6th Cir. 1970), cert. denied 398 U.S. 959 (1970)	9
Golden West Melodies, Inc. v. Capitol Records, Inc., 274 Cal. App. 2d 713, 718-20 (1969)	8
Koratron Mfg. Co. v. Cowden Mfg. Co., 417 F. 2d 635 (9th Cir. 1969)	9
Kraly v. National Distillers & Chemical Corp., 319 F. Supp. 1349, 1351-54 (N.D. Ill. 1970)	9
Lear, Inc. v. Adkins, 395 U.S. 653 (1969)	2, 3, 4, 5, 6, 8, 9, 10, 11
Scott U.S.A., Inc. v. McDonald, 321 F. Supp. 339 (D. Idaho 1970)	9
Standard Industries v. Tigret Industries, 397 U.S. 586 (1970)	10, 11

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AMERICAN ELECTRIC, INC.,

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Petition for a Writ of Certiorari to the California Court of Appeal for the Fourth Appellate District.

Petitioner American Electric, Inc., appellant below, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the California Court of Appeal for the Fourth Appellate District entered in this proceeding on January 8, 1971.

The opinion of the Court of Appeal is officially reported at 14 Cal. App. 3d 198 (1971). A copy of said opinion appears in the Appendix hereto.

Jurisdiction.

The judgment of the Court of Appeal was entered on January 8, 1971. This petition is filed within 90 days of that date. The Court of Appeal denied Petitioner's Petition for Rehearing on January 26, 1971 and the California Supreme Court denied Petitioner's Petition for Hearing on March 3, 1971.

Question Presented.

Whether the Court of Appeal for the Fourth Appellate District erred in refusing to give retroactive effect to this Court's holding in *Lear, Inc. v. Adkins,* 395 U.S. 653 (1969) to a case before it on appeal which had commenced seven days before the rendering of that decision and had ended two days thereafter.

Statement of the Case.

The trial of this action was commenced on June 9, 1969, the jury rendering its verdict in favor of Respondent Oldenkott on June 18, 1969. Respondent's complaint sought damages on a theory of anticipatory breach by Petitioner of an Employment Agreement entered into by the parties on December 29, 1967 [Clk. Tr. pp. 4-7, Pltf. Ex. 2].

Paragraph V of the Employment Agreement, pursuant to which Oldenkott had been terminated, provided in paragraph (B) thereof:

> "(B) In addition to the foregoing, this Agreement and all rights of Oldenkott thereunder may at the option of AEI be terminated by AEI at any time during the initial term or any renewal thereof upon the happening of any of the following events or conditions:
>
> . . .
>
> "(5) Termination of an Exclusive License Agreement among AEI, Oldenkott, Oldenkott Fasteners, Inc. and Oldenkott International, Inc. of even date herewith." [Pltf. Ex. 2, pp. 2-3].

Although the License Agreement "of even date" referred to in paragraph (B)(5) was introduced into evi-

dence, [Deft. Ex. "A"] and was at all times part of the record herein, the trial of the case was concerned principally with Respondent Oldenkott's performance under the Employment Agreement.

Following entry of judgment for Respondent, Petitioner appealed to the California Court of Appeal for the Fourth Appellate District. Petitioner's Opening Brief and Closing Brief were again directed principally to Respondent's performance as an employee under his Employment Agreement with Petitioner.

However, on July 27, 1970, approximately four months before the hearing of oral argument by the Court of Appeal, Petitioner sought, and was granted, leave to file an "Additional Brief" directed to the question of whether this Court's decision in *Lear, Inc. v. Adkins,* 395 U.S. 653 (1969), compelled a reversal of the judgment in Respondent's favor.

Briefly stated, Petitioner's "Additional Brief" in the District Court of Appeal pointed out the following salient facts:

1. On June 19. 1969, one week after commencement of trial and two days before the verdict from which appeal was taken in the instant case, the United States Supreme Court, in *Lear, Inc. v. Adkins,* 395 U.S. 653 (1969), reversing the decision of the California Supreme Court in *Adkins v. Lear, Inc.,* 67 Cal. 2d 882 (1967), overturned the so-called "license estoppel" doctrine.

2. On December 19, 1968, Petitioner had commenced Action 164173 in the Superior Court of the County of Orange against Respondent and his corporations to rescind the Patent License Agreement entered into simultaneously with the Employment Agreement on

December 29, 1967, a copy of which was in evidence in this case.

3. After the decision in *Lear, Inc. v. Adkins, supra,* had been brought to their attention, counsel had engaged a patent attorney who had investigated the validity of the patents licensed to AEI and had filed a supplement to the complaint in Action No. 164173 alleging invalidity of the patents as a ground for rescission and as a defense to Respondent's claim for royalties in that case.

4. The jury in Action No. 164173 had found the patents licensed to AEI invalid and not patentable over the prior art by virtue of its answers to special interogatories submitted to it, on June 2, 1970.

5. The License Agreement provided for termination if the representations and warranties therein proved "to be false in any material respect," and that Respondent and his corporations had warranted the validity of the patents licensed thereunder.

6. The decision in *Lear, Inc. v. Adkins,* 395 U.S. 653 (1969) was to be given retroactive effect.

Petitioner's "Additional Brief" argued, on the basis of these additional facts and given the interlocking language of the Employment and License Agreements, which allowed termination of employment upon termination of the License Agreement, that the judgment in Respondent's favor should be reversed and Petitioner allowed to raise the defense of patent invalidity in the Employment Agreement case now before this Court. It pointed out that Petitioner had been precluded from presenting this defense at the time of trial in this case because of the decesion of the California Supreme Court in *Lear, Inc. v. Adkins,* 67 Cal. 2d 882 (1967), which gave effect to the so-called "licensee estoppel" doctrine.

The Court of Appeal devoted a portion of its opinion to a consideration of the issues raised by this "Additional Brief" but concluded that the "facts heretofore outlined respecting the alleged invalidity of plaintiff's patents are the product solely of appellant's 'Additional Brief'; are not supported by any evidence or showing in the record: and may not be considered by this court as a basis for reversal." 14 Cal. App. 3d at 207. The Court of Appeal further held:

> "The fact the United States Supreme Court changed the applicable law in the premises after commencement of trial and shortly before rendition of judgment does not authorize this court to reverse the judgment in order to permit defendant to assert the law as changed and apply it to the case at bench by appropriate pleadings and evidence upon the theory the evidence defendant asserts it will produce on a new trial would dictate a judgment in its favor under the new law. As noted, the record before this court does not support the conclusion such evidence exists. Defendant's remedy in the premises, if any, is not available through this court on this appeal." (14 Cal. App. 3d at 207-208).

The Court of Appeal denied a Petition for Rehearing on January 26, 1971. Petitioner's subsequent Petition for Hearing to the California Supreme Court was denied on March 3, 1971. Both petitions were directed solely to the *Lear, Inc. v. Adkins* argument.

REASONS FOR GRANTING THE WRIT.

1. The Decision Below Conflicts With This Court's Holding in Lear, Inc. v. Adkins as to the Retroactive Effect to Be Given That Decision.

By its decision in *Lear, Inc. v. Adkins,* 395 U.S. 653 (1969), this Court effectively destroyed the so-called "licensee estoppel" doctrine recognized by the California Supreme Court in *Adkins v. Lear, Inc.,* 67 Cal. 2d 882 (1967).

When asked to limit the effect of its holding in *Lear, Inc. v. Adkins, supra,* this Court responded as follows:

> "Adkins suggests that any decision repudiating licensee estoppel as the general rule should not be retroactively applied to contracts concluded before such a decision is announced. Given the extent to which the estoppel principle has been eroded by our prior decisions, we believe it clear that the patent owner—even before this decision—could not confidently rely upon the continuing vitality of the doctrine. Nor can we perceive that our decision today is likely to undermine any existing legitimate business relationships. Moreover, the public's interest in the elimination of specious patents would be significantly prejudiced if the retroactive effect of today's decision were limited in any way." (395 U.S. at 674 n. 19).

The opinion of the Court of Appeal for the Fourth Appellate District, in addition to ignoring the plethora of lower court authority discussed hereinafter, ignored this portion of the decision in *Lear, Inc. v. Adkins.*

It did so by the artificial device of looking at the record before it for some evidence that Petitioner herein had gone through the motions of attempting to raise the issue of patent invalidity which it had been precluded from litigating by the decision in *Adkins v. Lear, Inc.*, 67 Cal. 2d 882 (1967).

Having found no such indication in the record before it, and despite Petitioner's efforts to point to the adjudication of patent invalidity in Action No. 164173, from which no appeal was ever taken by Respondent, the Court sought to further justify its refusal to consider the issue by implying that the result on a new trial upon remand would be speculative, thus ignoring the *res judicata* effect of the judgment in Action No. 164173 between the parties to the instant case and the California authorities allowing the Court to take judicial notice of the result in Action No. 164173.

In so holding, and thus seeking to avoid the issue, the Court of Appeal's decision conflicts with the retroactive policy as enunciated in *Lear, Inc. v. Adkins* favoring attacks upon invalid patents and all agreements springing from invalid patents. Even if the result on remand were only speculative, *which it was not*, Petitioner was still entitled to its day in court so that it could raise patent invalidity as a defense to suit on the Employment Agreement entered into simultaneously with the since-rescinded Patent License Agreement.

This conflict justifies the grant of certiorari in this case to review the judgment.

2. The Decision of the Court of Appeal Conflicts With Numerous Lower Court Decisions According Complete Retroactive Effect to the Decision in Lear, Inc. v. Adkins.

Other than the instant case, not a single decision of the lower courts subsequent to *Lear, Inc. v. Adkins, supra,* found by Petitioner has failed to give full retroactive effect to that decision.

Thus, in *Golden West Melodies, Inc. v. Capitol Records, Inc.,* 274 Cal. App. 2d 713, 718-20 (1969) the California Court of Appeal for the Second Appellate District felt compelled to reverse and remand a trial court decision rendered before the *Lear* decision which had applied the "licensee estoppel" doctrine to preclude a defendant licensee from questioning a copyright licensor's title. This ground for reversal had not been brought to the Court's attention by the parties at or prior to argument but, rather, was raised by the Court itself after the matter had been argued and submitted for decision, and no showing was required that such a defense might be successful on remand.

A similar result was reached by the Seventh Circuit Court of Appeals in *Bendix Corp. v. Balax, Inc.,* 421 F. 2d 809, 820-21 (7th Cir. 1970), *cert. denied,* 399 U.S. 911 (1970), in which it was manifest that a change in result on remand was not automatic and the court again raised the issue on its own initiative. On remand, the District Court did reverse its earlier decision on the point in question. See *Bendix Corp. v. Balax, Inc.,* 168 U.S.P.Q. 461 (Jan. 8, 1971).

Other decisions of the federal Courts of Appeals have reached similar results. See *Beckman Instuments, Inc. v. Technical Develop. Corp.,* 433 F. 2d 55, 58-59

(7th Cir. 1970); *Cowden Mfg. Co. v. Koratron Co.*, 422 F. 2d 371, 372 (6th Cir. 1970), *cert. denied*, 398 U.S. 959 (1970); *Koratron Mfg. Co. v. Cowden Mfg. Co.*, 417 F. 2d 635 (9th Cir. 1969); *Scott U.S.A., Inc. v. McDonald*, 321 F. Supp. 339 (D. Idaho 1970) (on remand from Ninth Circuit Court of Appeals); *Kraly v. National Distillers & Chemical Corp.*, 319 F. Supp. 1349, 1351-54 (N.D. Ill. 1970).

The right thus given retroactively to attack patent invalidity has not been confined to attacks on license agreements but has been extended to include attacks on settlement agreements and claims of antitrust violations with respect to licensing agreements with third parties. See *Bendix Corp. v. Balax, Inc.*, 421 F. 2d 809, 820-21 (7th Cir. 1970), *cert. denied*, 399 U.S. 911 (1970); *Kraly v. National Distillers & Chemical Corp.*, 319 F. Supp. 1349, 1351-54 (N.D. Ill. 1970).

The variance of the decision of the Court of Appeal in the instant case from these authorities is magnified by the fact that Petitioner was not asking the Court of Appeal to speculate that a different result would ensue on remand. Because of the decision of this Court in *Lear, Inc. v. Adkins*, Petitioner had already been able to successfully attack patent validity in the suit brought on the Patent License Agreement executed simultaneously with the Employment Agreement, which determination is now *res judicata* between the parties to this appeal.

This conflict justifies the grant of certiorari in this case to review the judgment.

3. The Grant of Certiorari Herein Will Afford the Court an Opportunity to Resolve the Uncertainty Raised by Its Decision in Standard Industries v. Tigret Industries.

Although the decision of this Court in *Standard Industries, Inc. v. Tigret Industries, Inc.*, 397 U.S. 586 (1970) was nowhere mentioned in the decision of the Court of Appeal, the *Standard Industries* decision, affirming by an equally divided court a decision of the Sixth Circuit Court of Appeals, has been argued as authority for denying *Lear, Inc. v. Adkins* full retroactive application.

In *Kraly v. National Distillers & Chemical Corp.*, 319 F. Supp. 1349 (N.D. Ill. 1970), the party seeking to prevent an attack on the patent, in arguing that *Lear, Inc. v. Adkins* should not be applied retroactively, relied on the *Standard Industries* decision. After noting that an argument against retroactive application of *Lear* based on the *Standard Industries* decision had been made in another case before it, the District Court stated:

> "We concluded that regardless of how *Standard Industries* was viewed it did not constitute a bar to a vacation of an order entered by this Court granting summary judgment because the defendant-licensee had contended prior to *Lear* that this patent was invalid and hence could not possibly have been deemed to have waived that defense." (319 F. Supp. at 1353).

The Court then concluded, in the case before it:

> "Because *Standard Industries*, a per curiam decision, contains no statement of general policy, and because of the importance of the public policy articulated in *Lear*, we hold that the defendant

may assert the *Lear* defense in the instant case even though the agreement not to contest the validity of the patent predated *Lear.*" (319 F. Supp. at 1354).

Because of the uncertainty as to the retroactive effect of *Lear, Inc. v. Adkins* which may have been engendered by this Court's 4-4 decision in the *Standard Industries* case, the grant of certiorari in this case is justified.

Conclusion.

The decision of the Court of Appeal conflicts with the national patent policy as enunciated by this Court. For the reasons discussed theretofore, a writ of certiorari should issue to review the judgment and opinion of the California Court of Appeal for the Fourth Appellate District.

Respectfully submitted,

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APPENDIX.

Opinion of the Court of Appeal.

In the Court of Appeal, Fourth Appellate District, Division One, State of California.

Carl O. Oldenkott, Plaintiff and Respondent, v. American Electric, Inc., Defendant and Appellant. 4 Civ. No. 10106.

Filed Jan. 8, 1971.

APPEAL from a judgment of the Superior Court of Orange County. Walter Steiner, Judge. Affirmed.

Paul, Hastings, Janofsky & Walker, Oliver F. Green, Jr. and Douglas C. Conroy, for Defendant and Appellant.

Robert E. Krause, for Plaintiff and Respondent.

Defendant appeals from a judgment awarding plaintiff $79,055.56 as damages for breach of a contract of employment.

Plaintiff was an inventor of fasteners which are a type of locking device to keep nuts intact on bolts; had obtained two patents on these fasteners; and also had filed a patent application respecting them, which was pending.

On December 29, 1967 defendant, by contract in writing, employed plaintiff as manager of its division known as Oldenkott Fasteners, at a salary of $2,500 per month, for the term of two years, which might be extended an additional two years at the option of plaintiff. Simultaneously, by a contract in writing, plaintiff granted defendant the right and license to manufacture, sell, produce, distribute and use the fasteners covered by his patents and the pending application for patent, which were known as the Oldenkott fasteners.

Plaintiff's duties as manager were to promote the sale of the fasteners; establish new accounts; and arrange sources of supply to service these new accounts.

On July 19, 1968 defendant terminated plaintiff's employment. Thereupon plaintiff sued defendant to recover damages, alleging termination of his employment was an anticipatory breach of contract. Defendant asserted it was authorized by the terms of the contract to terminate plaintiff's employment because of his failure to comply therewith, and also because of his refusal to perform duties assigned him by defendant. The case was tried by a jury which found in plaintiff's favor and awarded him damages in the sum of $85,000. Pursuant to stipulation, the amount of the award was reduced to its agreed present value, the sum of $79,-055.56.

Defendant, on appeal, presents its contentions in an opening brief and in an "Additional Brief" filed with permission of this court.

In its opening brief defendant seeks reversal on the grounds: (1) the verdict is against the "weight of the evidence" which showed plaintiff was discharged justifiably; (2) the trial court erred in refusing to instruct the jury recovery, if any, should be limited to the balance due on the original two-year term of the contract; and (3) misconduct of plaintiff's counsel which deprived defendant of a fair trial.

The contention the verdict of the jury is against the "weight of the evidence" on the issue whether plaintiff was discharged unjustifiably does not present an issue subject to appellate determination. The "weight of the evidence" to support a verdict is a matter subject to exclusive determination by the jury (*Thompson v. City*

of Long Beach, 41 Cal. 2d 235, 246; *Shields v. Shields,* 200 Cal. App. 2d 99, 102.)

Assuming defendant's attack upon the "weight of the evidence" to support the verdict, in substance, is an attack upon the sufficiency of the evidence to support the verdict, it is without merit.

Defendant contends, in effect, the evidence establishes as a matter of law it was entitled to terminate the contract under a provision thereof authorizing such because of plaintiff's inefficiency and failure to meet standards of performance and conduct normally expected of executive employees having his position or responsibility; and also was justified in terminating the contract because of plaintiff's insubordination in failing to comply with the requests of his superiors.

The contention plaintiff's inefficiency and failure to meet the standards of performance and conduct expected of him is premised on the claim during the six and one-half months he was employed defendant had not received a single order for fasteners. However, there is substantial evidence establishing defendant's officers refused to cooperate with plaintiff in any sales program; refused to give him realistic price lists for the sale of fasteners in large quantities, which were essential to promote sales; and countermanded instructions which plaintiff intended to provide a sales force and an advertising campaign. The evidence, directly and by inference, supports the conclusion any asserted inefficiency or failure to meet the standards of performance normally expected of an executive in plaintiff's position was attributable to conduct on the part of defendant's officers rather than to plaintiff.

The contention defendant also was authorized to terminate plaintiff's employment because of his insub-

ordination is premised upon the claim the evidence dictates the conclusion he refused to deliver to defendant's office a copy of the pending application for patent, and also refused to produce a "secret agreement" between himself and a Japanese organization known as the Kyodo Group which held a license to use his patent rights in Japan. There is substantial evidence supporting the conclusion plaintiff did not refuse to furnish defendant with a copy of the pending patent application; a copy of the application had been submitted to defendant's attorney and by the latter returned to plaintiff's patent attorney; plaintiff suggested to defendant's officers they obtain a copy of the application from his attorney, and authorized them to do so; and there was no secret agreement between plaintiff and the Kyodo Group.

In light of the foregoing, and also in light of other evidence in the record, defendant's contention the evidence is insufficient to support the finding implied in the verdict plaintiff's discharge was unjustified is without merit. To the contrary, there is adequate substantial evidence supporting an implied finding plaintiff was discharged unjustifiably and his discharge was an anticipatory breach of the contract.

Defendant's contention the court erred in refusing to instruct the jury plaintiff was entitled to recover damages, if at all, only for the balance of the original two-year term of employment is premised upon the claim the option for the additional two-year term should not be considered in computing the damages.

Plaintiff testified if his contract had not been terminated he intended to exercise the option extending the term for an additional two years; he was 42 years of age; and he was in good health.

In support of its position, defendant cites the decision in *Schmidt v. Beckelman,* 187 Cal. App. 2d 462, 468-471. Reliance upon this decision is misplaced because it involves an action for damages for breach of an option to purchase real property, and holds the "harshly rigid" rule of damages prescribed by Civil Code section 3306 for breach of an agreement to convey real property, i.e., in case of bad faith damages may be awarded on the basis of the "difference between the price agreed to be paid and the value of the estate agreed to be conveyed", does not apply until the option is exercised. The rule of damages applicable to the case at bench is not that prescribed by Civil Code section 3306.

The court instructed the jury respecting the measure of damages in accord with the rule stated by this court in *Erler v. Five Points Motors, Inc.,* 249 Cal. App. 2d 560, 562; and also instructed, for the purpose "of determining the 'total unexpired term of the contract' you may, if you find that Mr. Oldenkott would have exercised the option provided for in the employment contract, consider the term of such contract to be for a period of four years", which followed the rule stated and applied in *Detroit Graphite Co. v. Hoover,* 41 F. 2d 490, 494, and *Dixie Glass Co. v. Pollak* [Tex. App.], 341 S.W. 2d 530, 541.

In *Schmidt* the optionee did not attempt to exercise his option. In the case at bench defendant prevented plaintiff from exercising his option by terminating his employment; because of defendant's action, the initial term of employment never would be completed. (Cf. gen. *Buxbom v. Smith,* 23 Cal. 2d 535, 541; *Navarro v. Jeffries,* 181 Cal. App. 2d 454, 461.) Directing itself to a similar situation, the court in *Dixie Glass*

Co. v. Pollak, supra, [Tex. App.], 341 S.W. 2d 530, 541, said:

> "A substantial provision of the contract breached by appellant was the option of appellee to extend it. When the contract was breached time had not arrived for the exercise of the option. When appellant repudiated the contract, he deprived appellee of this contract right. Too, since appellant had repudiated the contract and discharged appellee, it would be useless for appellee to exercise the option. The law does not require a useless act. We think the fact there were options in the contract in favor of appellee is one element to be considered by the jury in determining damages, that is, the jury could consider the probability of the exercise of the option in determining the length of the term."

The decision in *Schmidt,* although holding the measure of damages prescribed by Civil Code section 3306 does not apply to an action for damages on account of the breach of an option to purchase real property where there never was an election to exercise the option, also held the measure of damages in an action for breach of such an option is that prescribed by Civil Code section 3300, i.e., the amount which will compensate the party aggrieved for all of the detriment proximately caused by the breach. Actually defendant's anticipatory breach of contract was the cause of damage resulting (1) from the loss of employment for the balance of the original term at the rate of compensation agreed upon, and (2) from the loss of employment for the additional two-year term, subject to his option, at the same rate of compensation. The items

of damage for breach of an option to purchase real property and the items of damage for breach of an option to renew a contract of employment are essentially different, and the rule stated in *Detroit Graphite Co. v. Hoover, supra,* 41 F. 2d 490, 494, and *Dixie Glass Co. v. Pollak, supra,* [Tex. App.], 341 S.W. 2d 530, 541, authorizing the trier of fact to consider the probability the employee would exercise the option in determining the length of the unexpired term of employment when applying the applicable measure of damages, is reasonable. In any event, as to the case at bench, assuming the measure of damages for the loss of the option right is the loss of its value, as such, defendant did not propose a formula to determine this value either by the offer of evidence or a requested instruction. Lacking such a proposal, the instruction given, which permits the jury, in effect, to premise the damage caused by the loss of the option right upon the probable loss of wages plaintiff might have recovered under the contract were he permitted to exercise the option, affords an applicable prima facie measure of damages, and is reasonable. Defendant did not offer any evidence in support of a different measure of damages. Pertinent is the statement of the court in *Detroit Graphite Co. v. Hoover, supra,* 41 F. 2d 490, 494, that "the jury might find that there was no other way to give effect to plaintiff's right to damages for the whole period covered by the contract and the option."

Defendant also contends the instruction by the court respecting consideration of the two-year additional term subject to plaintiff's option was improper because there was no evidence supporting the conclusion he might or could exercise the option. In support of this position defendant asserts there is no evidence from which

the jury could conclude plaintiff would be alive at the end of the original two-year term. The evidence respecting plaintiff's age and health supports the conclusion he would be alive. There was no evidence to the contrary.

Defendant's final contention plaintiff's counsel was guilty of misconduct depriving it of a fair trial is premised, among other things, on counsel's asserted practice of couching his questions to witnesses so as to assume facts not in evidence. In support of this position, defendant cites one example in which counsel asked a witness if he knew an attorney for defendant had a copy of the pending patent application. Counsel assured the court he intended to establish the fact assumed. Defendant contends the assumed fact was not established. However, as heretofore indicated, there was evidence that at one time the attorney for defendant had a copy of the pending patent application in his possession, which he had returned to plaintiff's patent attorney. The misconduct charged is of miniscule importance. The only other instance of similar alleged misconduct cited by defendant is an incompleted question by counsel to which an objection was made and sustained. At the time the objection was sustained the court upbraided counsel for asking questions of this type. The charged misconduct in asking the incompleted question is of no consequence. Defendant does not direct attention to any other questions in which counsel for plaintiff allegedly assumed facts not in evidence.

Defendant also claims counsel for plaintiff was guilty of misconduct because he phrased questions in a manner giving the impression defendant and certain of its personnel harbored a racial bias against plaintiff, a German. There was evidence an official of defend-

ant stated there were too many Germans in the organization. Counsel's purported attempt to show defendant and its officers were prejudiced against people of German nationality was an effort to indicate a motive for termination of plaintiff's employment. No misconduct occurred.

Defendant also contends counsel was guilty of misconduct because during oral argument he stated defendant had a copy of the pending patent application, and for this reason its claim of insubordination in refusing to comply with the request of its officers to deliver them a copy was unfounded. As heretofore noted, at one time the attorney for defendant did have a copy of the pending patent application

Defendant moved for a new trial. The court considered the foregoing alleged charges of misconduct by counsel, and rejected any conclusion they were prejudicial to defendant's case. With respect to the alleged misconduct in oral argument the court concluded counsel's statement defendant had a copy of the pending patent application was premised on an inference defendant's attorney, who at one time had possession of such a copy, made another copy for his files. This inference is premised on the fact when defendant's attorney returned plaintiff's copy to plaintiff's patent attorney the former made recommendations respecting purported amendments to the application which led the court to believe he must have retained a copy in which he included these purported amendments.

On hearing the motion for new trial, the court also indicated its approval of the sufficiency of the evidence to support the verdict.

Defendant in its "Additional Brief" asserts the following: By the express terms of the employment con-

tract defendant was entitled to terminate the contract in the event of termination of the exclusive licensing agreement between plaintiff and defendant. On June 9, 1968, which followed commencement of the trial of the case at bench but preceded entry of judgment on June 18, 1969, defendant's motion for a new trial on June 27, 1969, and the court's denial of the motion on July 30, 1969, the Supreme Court of the United States changed the existing law to permit a licensee of a patent to contest the validity of the patent of the licensor. (*Lear, Inc. v. Adkins,* 395 U.S. 653 [89 S. Ct. 1902].) Previously the United States Supreme Court had held a patent licensee was estopped to contest the validity of the license issued his licensor, and this rule was followed by the Supreme Court of California in *Adkins v. Lear, Inc.,* 67 Cal. 2d 882, 891. Counsel for defendant, acting on the previously existing patent-licensee estoppel doctrine believed any attack upon the validity of the patents issued plaintiff was unavailable as a defense to the action at bench; was not engaged in patent work and the Supreme Court decision changing the patent-licensee estoppel rule did not come to his attention until the Autumn of 1969; and, upon learning of the change, caused an investigation to be made respecting the validity of the patents issued plaintiff and concluded they were invalid. Over six months before trial of the case at bench, i.e., on December 19, 1968, defendant had commenced an action to rescind the patent-license agreement with plaintiff. On March 6, 1970, which was nine months after the decision in *Lear, Inc. v. Adkins, supra,* 395 U.S. 653 [89 S. Ct. 1902], defendant filed a supplement to its complaint in the rescission action alleging the invalidity of the patents which sought re-

scission and damages. On June 2, 1970 judgment was rendered in the latter action which, among other things, declared the patents were invalid.

Defendant contends it should be permitted to raise the invalidity of plaintiff's patents in the action at bench as a ground for justifiable termination of the employment agreement, and the judgment herein should be reversed for this purpose.

In reaching a decision on appeal an appellate court is governed by the record; will not consider facts having no support in the record; and will disregard statements of such facts set forth in a brief. (*Gantner v. Gantner,* 39 Cal. 2d 272, 277-278; *Johnson v. Callahan,* 146 Cal. 212, 214; *Cox v. State of California,* 3 Cal. App. 3d 301, 307; *In re Linda D.,* 3 Cal. App. 3d 567, 571; *Valley Vista Land Co. v. Nipomo Water & Sewer Co.,* 266 Cal. App. 2d 331, 337; *Schecter v. County of Los Angeles,* 258 Cal. App. 2d 391, 399; *Dryer v. Dryer,* 231 Cal. App. 2d 441, 451; *People v. Jackson,* 230 Cal. App. 2d 485, 490; *People v. Roberts,* 213 Cal. App. 2d 387, 394; *People v. Foster,* 195 Cal. App. 2d 651, 654; *Knapp v. City of Newport Beach,* 186 Cal. App. 2d 669, 679.) The facts heretofore outlined respecting the alleged invalidity of plaintiff's patents are the product solely of appellant's "Additional Brief"[1]; are not supported by any evidence or showing in the record; and may not be considered by this court as a basis for reversal.

Furthermore, the issue of the invalidity of the patents involves mixed questions of law and fact; was

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[1]It is improper for an appellant to attempt to bring before the appellate court alleged facts which do not appear in the record on appeal. (*Loving & Evans v. Blick,* 33 Cal. 2d 603, 613-614.)

not presented to, passed upon or considered by the trial court either by pleading, suggestions, argument or otherwise; as noted, is not supported by any evidence or other showing in the record on appeal; and for these reasons may not be raised for the first time on appeal. (*Estate of Westerman,* 68 Cal. 2d 267, 278-279; *Caplan v. Schroeder,* 56 Cal. 2d 515, 520-521; *Barrera v. De La Torre,* 48 Cal. 2d 166, 172; *Panopulos v. Maderis,* 47 Cal. 2d 337, 340; *Dryer v. Dryer, supra,* 231 Cal. App. 2d 441, 451; *Spaziani v. Millar,* 215 Cal. App. 2d 667, 678; *Thomson v. Casaudoumecq,* 215 Cal. App. 2d 549, 553.)

The fact the United States Supreme Court changed the applicable law in the premises after commencement of trial and shortly before rendition of judgment does not authorize this court to reverse the judgment in order to permit defendant to assert the law as changed and apply it to the case at bench by appropriate pleadings and evidence upon the theory the evidence defendant asserts it will produce on a new trial would dictate a judgment in its favor under the new law. As noted, the record before this court does not support the conclusion such evidence exists. Defendant's remedy in the premises, if any, is not available through this court on this appeal.

The judgment is affirmed.

/s/ Coughlin, *J.*

We concur:

/s/ Whelan *J.*

/s/ Ault, *J.*

SUPREME
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IN THE

Supreme Court of the United States

October Term 1970
No. 1555

CARL O. OLDENKOTT,

Respondent,

vs.

AMERICAN ELECTRIC, INC.,

Petitioner.

Brief in Opposition to Granting of Petition for Writ of Certiorari.

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SUBJECT INDEX

	Page
Jurisdiction	1
Grounds of Opposition	2
Questions Presented	2
Statement of the Case	3
Argument	5
Reasons for Denying the Writ	7
Conclusion	8

TABLE OF AUTHORITIES CITED

Case

Lear, Inc. v. Adkins, 395 U.S. 653 .....2, 4, 5, 7

Rules

California Rules of Court, Rule 19 2

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Brief in Opposition to Granting of Petition for Writ of Certiorari.

To the Honorable Chief Justice and the Associate Justices of the Supreme Court of the United States:

Carl O. Oldenkott, Respondent to the petition for writ of certiorari to the California Court of Appeal for the Fourth Appellate District, opposes the granting of the petition.

Jurisdiction.

This Court is considered to be without jurisdiction to review on writ of certiorari a decision by the Court of Appeal for the Fourth Appellate District, State of California, that involved breach of an employment agreement. The employment agreement was in no way concerned with a patent, trademark or copyright, nor a federal statute. The Court of Appeal for the Fourth Appellate District in the decision below did not de-

cide said question of substance not theretofore determined by this Court or has decided it in a way probably not in accord with applicable decisions of this Court. The decision below on which review is sought does not involve subject matter coming within the scope of Rule 19 of this Court.

Grounds of Opposition.

The decision of the Court of Appeal for the Fourth Appellate District, State of California is not in conflict with this Court's decision in *Lear, Inc. v. Adkins,* 395 U.S. 653, for the Court of Appeal for the Fourth Appellate District has not decided an important question of federal law which has not but should be settled by this Court, nor has it decided a federal question in a way in conflict with applicable decisions of this Court.

The Court of Appeal for the Fourth Appellate District has simply affirmed a decision of the Superior Court of Orange County, State of California that held that a written employment agreement between Petitioner and Respondent had been breached by Respondent. Said employment agreement was in no way concerned with patents, trademarks or copyrights.

The Petitioner presents no sound reasons which should move this Court to exercise its discretion in favor of review of the decision below that involves no federal question.

Questions Presented.

Whether the Court of Appeal for the Fourth Appellate District, State of California, erred in refusing to give retroactive effect to this Court's holding in *Lear, Inc. v. Adkins,* 395 U.S. 653 in a breach of an em-

ployment agreement case before it on appeal, which case did not involve a patent, trademark or copyright.

Statement of the Case.

On December 29, 1967 Petitioner, by a written Employment Agreement employed Respondent as manager of its division known as Oldenkott Fasteners for a term of two years, which term could be extended an additional two years at the option of Respondent.

Simultaneously, by a written Patent License Agreement, Respondent granted Petitioner the right and license to manufacture, sell, produce and distribute fasteners covered by an issued patent and an application for a patent.

On July 19, 1968 Petitioner terminated Respondent's employment. Thereupon Respondent sued Petitioner to recover damages, alleging termination of his employment was an anticipatory breach of contract. Petitioner asserted it was authorized by the terms of the contract to terminate Respondent's employment because of his failure to comply therewith, and also because of his refusal to perform duties assigned him by Petitioner. The case was tried by a jury which found in Respondent's favor and awarded him damages in the sum of $85,000. Pursuant to stipulation, the amount of the award was reduced to its agreed present value, the sum of $79,055.56.

The California Court of Appeal for the Fourth Appellate District affirmed the decision of the trial court on the Employment Agreement on January 8, 1971, 14 Cal. App. 3d 198 (1971), a copy of which decision appears in the Appendix to Appellant's Petition for a Writ of Certiorari.

The Court of Appeal denied Petitioner's Petition for Rehearing on January 26, 1971.

The California Supreme Court denied Petitioner's Petition for Hearing on March 3, 1971.

On December 19, 1968, Petitioner commenced Action 164173 in the Superior Court of the County of Orange against Respondent and his corporation to rescind the Patent License Agreement entered into simultaneously with the Employment Agreement, a copy of which was in evidence in this case.

The jury in Action No. 164173 found the patents licensed to Petitioner not patentable over the prior art by virtue of its answers to special interrogatories submitted to it, on June 2, 1970, and that no royalties were due Respondent by Petitioner in view of *Lear, Inc. v. Adkins.*

Petitioner's Action No. 164173 to rescind the License Agreement was filed December 19, 1968 well over five months after Respondent was terminated as an employee on July 19, 1968.

ARGUMENT.

The Court Below Did Not Err in Refusing to Give Retroactive Effect to Lear, Inc. v. Adkins.

Petitioner attempts to consolidate the conditions of the Employment Agreement with those of the Patent License Agreement, and then use the case of *Lear, Inc. v. Adkins,* 395 U.S. 653, to substantiate Petitioner's position that it may now attack the Employment Agreement.

The Employment Agreement was simply one that set forth the terms of Respondent's employment, and made no reference to the fastener patents or to the validity thereof.

The License Agreement related solely to the patent rights granted Petitioner under Respondent's patent and patent application.

Obviously the *Lear, Inc. v. Adkins* decision has no application to a straight employment agreement, retroactive or otherwise.

Paragraph V of the Employment Agreement, pursuant to which Oldenkott had been terminated, provided in paragraph (B) thereof:

> "(B) In addition to the foregoing, this Agreement and all rights of Oldenkott thereunder may at the option of AEI be terminated by AEI at any time during the initial term of any renewal thereof upon the happening of any of the following

events or conditions:

. . .

"(5) Termination of an Exclusive License Agreement among AEI, Oldenkott, Oldenkott Fasteners, Inc. and Oldenkott International, Inc. of even date herewith." [Pltf. Ex. 2, pp. 2-3].

Paragraph (B)(5) has no relevancy or materiality to the present appeal, for Respondent did not rescind the License Agreement until well over five months after it breached the Employment Agreement.

The patents were not intended to be included in the Employment Agreement, for if they were, there would be no necessity, reason or use for the License Agreement.

REASONS FOR DENYING THE WRIT.

The Decision of the Court of Appeal Does Not Conflict With Numerous Lower Court Decisions According Complete Retroactive Effect to the Decision of Lear, Inc. v. Adkins.

The decision of the Court of Appeal was directed to the breach of the Employment Agreement which was in no way concerned with patents, trademarks or copyrights, or any federal statute. Each of the lower court decisions referred to by Petitioner on pages 8 and 9 of its brief concerned a license agreement involving a patent or copyright to which *Lear, Inc. v. Adkins* was relevant. The Employment Agreement was in no way concerned with a patent or copyright license or any federal statute. The Court of Appeal accordingly did not consider the lower court decisions as relevant or material to the Employment Agreement. There is no conflict between the Court of Appeal decision and the lower court decisions cited by Petitioner on pages 8 and 9 of its brief.

The Granting of Certiorari Herein Is Not Necessary for the Court to Resolve the Uncertainty Raised by Its Decision in Standard Industries v. Tigret Industries, 397 U.S. 586 (1970).

The question above raised by Petitioner is hypothetical and not necessary to be resolved to determine that Petitioner's Writ of Certiorari should be denied. It is basic that this Court does not review hypothetical questions.

Conclusion.

The decision of the Court of Appeal is concerned with an employment agreement and is in no way related to patents, trademarks or copyrights or involving a federal statute. For the reasons previously mentioned, a writ of certiorari to review the judgment and opinion of the California Court of Appeal for the Fourth Appellate District should be denied.

Respectfully submitted,

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